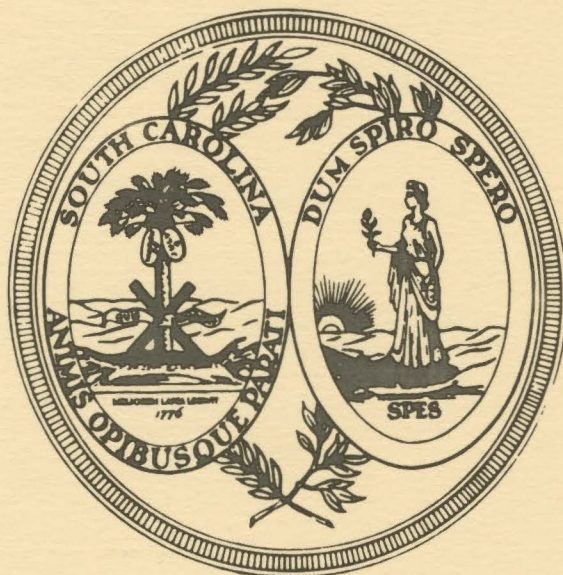


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South Carolina General Assembly



Legislative Audit Council



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South Carolina General Assembly
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Report Summary of the
Sunset Review of the
Public Service Commission
June 30, 1982

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

REPORT SUMMARY

OF THE

SUNSET REVIEW

OF THE

PUBLIC SERVICE COMMISSION

REPORT SUMMARY

Introduction

This report is a summary of the findings and major recommendations presented in the complete audit report on the Public Service Commission. The page numbers cited refer to those pages in the full report. The full report is divided into five chapters. Chapter I provides history and background information on the Public Service Commission including financial data. Chapters II and III, respectively, deal with the regulation of transportation and utilities. Chapter IV provides information on the administration of the Commission, and Chapter V addresses Sunset issues and overall evaluation of the agency. PSC comments are published as Appendix A of this summary. A copy of the full report can be obtained from the Legislative Audit Council. The terms Public Service Commission, PSC and Commission are used interchangeably throughout the report.

In July 1978 the General Assembly passed Act 608 which has become known as the "Sunset Act." This Act abolishes specific boards and commissions as of predetermined dates and requires the Audit Council to review each board one year prior to their termination date. The Public Service Commission (PSC) is scheduled to terminate on June 30, 1983. The Council has reviewed the Board's regulatory duties, functions, policies and procedures and has found that the Commission does fulfill a public need through its regulation of utilities; however, economic regulation of the motor carrier industry is not warranted. The Transportation Division should be abolished.

The audit concentrated on PSC activities from FY 76-77 to FY 80-81. The major purpose of this review was to determine whether PSC provides the most effective utility and transportation regulation in the most efficient and economical manner, and whether such regulation is necessary.

The Audit Council found that although PSC has attempted to remedy some weaknesses pointed out in earlier reports, problems remain which inhibit regulatory effectiveness. The following is a list of recommendations from earlier reviews that have not been implemented:

Cresap, McCormick and Pagett, Management Consultants - 1970

- (1) The motor vehicle inspection function should be transferred to the State Highway Department.
- (2) The legislative base for utility regulation should be reviewed for uniformity of practice as well as for obsolescence. Rules and Regulations should be modified to reflect desired PSC practices on a uniform basis.
- (3) The Legal Division should publish regularly a series of precedent decisions, giving the basis for each decision.

Cresap, McCormick and Pagett, Management Consultants - 1976

- (1) The Transportation Division's Motor Carrier Inspection Functions should be transferred to the Highway Department.
- (2) A completely revised statutory base should be prepared for legislative consideration. A mission statement and primary goals should be established for each regulated industry.
- (3) The General Counsel of the PSC should at once prepare a Precedent Decision Manual and the Legal Division of the PSC should have responsibility for keeping it up to date.

Legislative Audit Council - 1977

- (1) The Transportation Division Motor Carrier Inspection functions should be transferred to the Highway Department.

- (2) A completely revised statutory base should be prepared for legislative consideration. PSC should develop goals and mission statements for regulated industries.
- (3) The Commission's General Counsel should develop a Decision Precedent Manual.
- (4) PSC should develop a system for monitoring the efficiency of utility companies.
- (5) Information required by the Public Service Commission should be collected and generated by the Commission staff or by an independent party hired and supervised directly by the PSC.
- (6) PSC should develop and utilize a manual of administrative procedures.
- (7) PSC should reconcile its physical inventory to its property records and investigate any differences.
- (8) PSC should discontinue reimbursement of the cost of meals to its law enforcement personnel, unless those persons are directed to perform duties outside of their assigned areas.

Joint Legislative Study Committee - 1978

- (1) PSC should promulgate Rules and Regulations to ensure that the fuel procurement practices and fuel purchase contracts are closely monitored and efficient.
- (2) PSC should conduct a thorough review of its files and initiate procedures to cancel all dormant authority.
- (3) The Commission should promulgate Rules and Regulations to outline written policies or regulations on what carriers are audited; when carriers are to be audited; or procedures to be utilized by the staff when audits are performed.

Office of the State Auditor - 1980

- (1) PSC should improve internal control over cash receipts.
- (2) PSC should develop formal controls to ensure the accuracy of the equipment inventory.

The Council, in its current report, notes that although these previous reports offered substantial review, nothing has been done to

correct the above deficiencies. Specific recommendations are herein made for improvements.

Based on the audit findings and a review of State and Federal studies on deregulation, the Audit Council concludes that economic regulation of the motor carrier industry in South Carolina is not necessary. Federal and state studies show that trucking in unregulated states is stable, competitive and providing service to small communities. Other regulatory programs in place, such as the State's antitrust laws, will operate to protect the public from unfair pricing and monopolistic practices in the motor carrier industry.

The safety function of the Transportation Division could be transferred to the Highway Department to aid in policing unsafe and overweight truck operations. This would allow safety regulations to be more vigorously and efficiently enforced by adding more officers to the Truck Weight Enforcement Division of the Highway Department.

Regulation of the utility industry which is inherently monopolistic and has a high fixed cost is necessary. The Commission has sought, through issuing utilities Certificates of Public Convenience and Necessity and setting rates, to accomplish the goal of safeguarding the public's interest. However, regulatory effectiveness is hindered by a statutory base that is increasingly outdated, lack of concise statements of regulatory policy and failure of the Commission to develop a Decision Precedent Manual to summarize and classify Commission decisions on various regulatory issues. There has been little anticipation and analysis of the need for new regulatory requirements when existing requirements are outmoded. Regulatory effectiveness has been further reduced by the lack of a comprehensive monitoring system to provide adequate supervisory oversight of utility operations, including construction work.

Overall, agency management has been hindered by a lack of written administrative procedures. This has resulted in problems involving efficient use of resources, maintenance of records, and handling of complaints. Also, public participation and representation have been restricted by Commission practices regarding public hearings.

PSC needs to develop a more aggressive posture for adapting to regulatory needs and issues. Objectives, guidelines, and policies provide direction for managing issues and measuring progress. Without these tools PSC is less able to assure the public that their interest is protected.

SUMMARY OF REGULATION OF MOTOR CARRIERS

Adverse Effects of Regulation (p. 19)

Statutes and Regulations concerning the regulation of motor carriers are vague and outdated. Restrictive agency practices have developed which have an adverse effect on the industry and have increased costs to the consumer.

(1) Regulations Restrict Entry

Regulations that allow the Commission to place the "burden of proof" on the applicant to show public convenience and necessity restrict entry into the trucking industry. The requirements protect existing carriers from competition and can have a negative effect on service. Existing carriers may not be providing the best or least expensive service possible, but can be protected from competition if they protest that their business may be harmed by new carriers.

(2) Regulations Affect Efficiency

PSC practices adversely affect motor carrier efficiency in South Carolina. The Audit Council found instances where PSC Regulations forced carriers to backhaul empty, carry limited commodities and operate at less than truckload capacity, in limited territories. Restrictions placed on motor carriers by regulations cause carriers to waste gasoline, incur unnecessary wear and tear on trucks, and charge more than necessary to deliver goods. These practices have resulted in truckers charging higher shipping rates than necessary, and these excess rates are paid by the shippers and consumers in the State.

(3) Certificates Increase Motor Carrier Costs

PSC issues Certificates of Public Convenience and Necessity to individuals who wish to enter the trucking industry as "for hire" carriers. Regulations allow motor carriers to sell, lease or transfer their "operating rights" to carriers who want to enter the business. Applicants who are denied a certificate by PSC can purchase the rights held by an existing carrier; between November 1978 and December 1981, 25 carriers paid over \$650,000 for purchase of paper certificates or operating rights. No equipment exchange was involved. Without government regulation, there would be no certificates to buy or lease and this savings could be passed on to shippers and consumers in the State.

Motor Carrier Ratemaking (p. 27)

The Audit Council reviewed PSC's method of setting motor carrier shipping rates and found several problems. These problems, as well as

those previously presented, could be overcome through economic deregulation and abolishment of the PSC Transportation Division.

(1) Collective Ratemaking Increases Rates

PSC allows motor carriers who are members of the Motor Truck Rate Bureau to establish collective rates charged to ship goods within South Carolina. By allowing price fixing, PSC has prevented full and free competition and has allowed carriers to charge more than they need to haul goods in South Carolina. Both shippers and customers must pay higher costs than necessary for service. Further, this practice has been ruled to be in violation of Federal antitrust laws in five southern states.

(2) Lack of Directives for Determining Rates

PSC has no written guidelines outlining costs to be used in determining a company's operating ratio. Without guidelines stating included/excluded motor carrier costs, carriers can receive increases for unnecessary cost items such as high salaries, bonuses, fringe benefits and other items. Thus, the Commission cannot ensure that the rates charged are fair and equitable and that the public is protected from excessive shipping charges. Also, without specific guidelines, carriers are subject to inconsistent treatment.

(3) Insufficient Evaluation of Need For Rate Increases

PSC is granting rate increases to motor carriers without adequately determining their need for an increase. No guidelines have been established to identify which carriers will be audited and when. Between 1976 and 1981, 90% (1,556) of the 1,720 general rate increases were awarded by PSC without any review, audit or analysis of the carriers' financial records. The Commission

cannot protect consumers from excessive and unnecessary increases in rates unless guidelines are developed to ensure that a representative sample of data is audited for rate increases.

Oversight of Motor Carriers (p. 38)

The Audit Council reviewed PSC's method for monitoring the trucking industry and found several problems.

(1) Lack of Regular Review

PSC has not developed a method to ensure that motor carriers are reviewed on a regular basis to verify proper charges and operating areas. Between 1976 and 1981, PSC only reviewed 39% (518 of 1,328) of all regulated intrastate motor carriers' operations to determine if they are complying with Commission regulations. For the first nine months of FY 81-82, no compliance audits were performed because the Executive Director withheld travel funds. Without reviewing regulated motor carrier operations, PSC has not fulfilled a part of its regulatory responsibility and cannot ensure that motor carriers are charging proper rates and operating in their assigned area.

(2) Motor Carriers Overcharge Consumers

Motor carriers have charged higher shipping rates than approved by the Commission and PSC has not required repayment of the overcharges. Between 1976 and 1981, PSC auditors found 35 (7% of those audited) carriers charged rates higher than the Commission had approved. By not requiring motor carriers to refund excess charges, PSC inadequately regulated the industry which has caused consumers to pay excessive shipping charges.

(3) Uneconomical Review Practices

PSC auditors are using uneconomical "surprise" review practices to review motor carrier records which do not ensure that carriers will be available for review. In a five-month sample period reviewed by the Council, from July to November 1980, PSC auditors traveled 12,559 miles at a cost of \$2,700 without reviewing any carrier's records, because offices were closed. Information audited such as rate schedules, fuel surcharges, and operating authorities does not require the element of surprise for a reliable audit. Over several years, this practice has resulted in inadequate monitoring of the industry and wasted dollars paid by the industry to cover this function. It has also contributed to increased costs to consumers who ultimately pay for regulatory costs.

(4) Inadequate Record Keeping and Documentation to Support Audits

Record keeping and documentation of reviews and monitoring conducted by PSC auditors are inadequate. The Council found that for 1,225 compliance audits performed from 1976 to 1981, only 144 had some form of documentation to support the audit conclusions. Without proper documentation, the agency cannot ensure that legal and administrative requirements are met in the event PSC findings are challenged.

(5) Carriers Have Not Served Their Authorized Areas

Motor carriers have reduced or discontinued service to authorized areas without having their operating rights revoked by PSC. In 1980, 17 carriers transacted no business. PSC granted these motor carriers certificates because they proved a public need

for trucking services, however, the Commission has not taken the initiative to identify all carriers who reduce or discontinue service. Neither has the Commission taken steps to revoke "dormant" certificates, or modify certificates of carriers not fully serving authorized areas. Regulation has protected some carriers from competition and has not guaranteed adequate service to the public.

(6) Carrier Insurance Requirements Too Low

PSC Regulations place minimum truck liability and cargo insurance requirements too low to adequately protect the public in the event of a truck accident. These requirements are substantially below ICC and neighboring states' requirements. Without adequate minimum requirements, the Commission cannot ensure that the public recovers hospital costs or financial losses in the event of a truck accident.

Enforcement of Truck Safety Laws (p. 49)

Both the Public Service Commission and the South Carolina Department of Highways and Public Transportation (SCDHPT) are separately enforcing truck safety laws. PSC primarily inspects truck lights, brakes, tires, "under the truck equipment," logbooks, proof of insurance, and other similar areas. SCDHPT primarily inspects truck weight, height, length and width. The two agencies operate at separate locations along the highway, each enforcing separate truck safety laws. The public may not be adequately protected from unsafe trucks because all trucks do not receive the same safety checks. Also, the method is unfair to the truckers because they can be stopped and inspected twice on the same highway, causing the trucker to lose time and money hauling goods.

Regulation of Railroads (p. 53)

PSC is responsible for maintaining economic and safety regulation over all railroads within the borders of South Carolina. However, due to the passage of The Staggers Rail Act of 1980, PSC has lost much of its economic regulatory authority over the railroads. PSC can no longer grant general rate increases, fuel adjustment surcharges or inflation-based increases to intrastate railroads. PSC currently has the option of regulating single commodity rates, discontinuing economic regulation, or allowing the Interstate Commerce Commission to regulate all South Carolina intrastate rates. As of January 1982, 14 states have not sought ICC certification to regulate railroads, and the ICC will not impose any intrastate regulation in these states.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER
REPEALING THE PORTION OF SECTION 58-23-1010
OF THE 1976 SOUTH CAROLINA CODE OF LAWS
WHICH ALLOWS THE MOTOR TRUCK RATE BUREAU
TO FIX PRICES.

THE GENERAL ASSEMBLY SHOULD CONSIDER THE
COMPLETE ECONOMIC DEREGULATION OF INTRA-
STATE MOTOR CARRIERS IN ORDER TO PROMOTE
FREE COMPETITION IN THE INDUSTRY.

- (1) THE MOTOR CARRIER ENFORCEMENT, SAFETY AND REGISTRATION DEPARTMENT POSITIONS WITHIN THE PUBLIC SERVICE COMMISSION SHOULD BE TRANSFERRED TO THE TRUCK WEIGHT ENFORCEMENT DIVISION OF THE DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION.

THE DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION SHOULD BE GRANTED ALL SAFETY INSPECTION AUTHORITY PSC CURRENTLY HOLDS.

- (2) THE HIGHWAY DEPARTMENT SHOULD CONSIDER ADOPTING INTERSTATE COMMERCE COMMISSION TRUCK MINIMUM INSURANCE REQUIREMENTS AS THE MINIMUM IN SOUTH CAROLINA.

IF THE GENERAL ASSEMBLY DOES NOT CHOOSE TO ELIMINATE ECONOMIC REGULATION OF MOTOR CARRIERS, THE GENERAL ASSEMBLY AND PSC SHOULD CONSIDER IMPLEMENTING THE FOLLOWING REGULATORY CHANGES:

- (1) PSC SHOULD CONSIDER EASING ENTRY INTO THE MOTOR CARRIER INDUSTRY BY CONSIDERING AN APPLICANT'S FITNESS TO PROVIDE

SERVICE AND PLACING THE "BURDEN OF PROOF" OF PUBLIC CONVENIENCE AND NECESSITY ON THE PROTESTANT, AS DOES THE INTERSTATE COMMERCE COMMISSION.

- (2) PSC SHOULD EASE RESTRICTIONS WHICH CAUSE INEFFICIENT OPERATIONS OF MOTOR CARRIERS. REGULATIONS THAT IMPOSE CERTIFICATE OPERATING RESTRICTIONS SHOULD BE MODIFIED TO ALLOW THE BROADENING OF COMMODITIES AUTHORIZED; TO AUTHORIZE SERVICE TO INTERMEDIATE POINTS; TO PROVIDE ROUND-TRIP AUTHORITY; TO ELIMINATE NARROW TERRITORIAL LIMITATIONS; AND TO ELIMINATE OTHER UNREASONABLE RESTRICTIONS WASTEFUL OF FUEL, INEFFICIENT OR CONTRARY TO THE PUBLIC INTEREST.
- (3) PSC SHOULD NOT ALLOW THE SALE, LEASE, OR TRANSFER OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR MORE THAN ORIGINAL COSTS OF OBTAINING IT.
- (4) PSC SHOULD SET INDIVIDUAL MOTOR CARRIER RATES BASED ON DEFINED REASONABLE COSTS.

- (5) PSC SHOULD ADOPT SPECIFIC GUIDELINES FOR RATE INCREASES STATING WHEN CARRIERS WILL BE AUDITED, WHICH CARRIERS WILL BE AUDITED, AND AUDIT GUIDELINES TO BE UTILIZED BY THE STAFF WHEN AUDITS ARE PERFORMED.
- (6) THE TRANSPORTATION DIVISION SHOULD DEVELOP SYSTEMATIC PROCEDURES FOR REVIEWING MOTOR CARRIERS' COMPLIANCE WITH PSC RULES AND REGULATIONS.
- (7) PSC SHOULD INITIATE PROCEDURES TO CANCEL DORMANT CERTIFICATES AND MODIFY PARTIALLY USED CERTIFICATES.
- (8) THE GENERAL ASSEMBLY SHOULD CONSIDER TRANSFERRING THE TRUCK SAFETY INSPECTION FUNCTIONS FROM THE PUBLIC SERVICE COMMISSION TO THE DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION.

AFTER THE COURTS HAVE CONSIDERED THE STAGGERS RAIL ACT OF 1980 AND HAVE DECIDED WHICH AREAS OF ECONOMIC REGULATIONS THE STATES CAN CONTROL, THE GENERAL ASSEMBLY

SHOULD DECIDE IF THE PUBLIC SERVICE COMMISSION SHOULD MAINTAIN ECONOMIC RAILROAD REGULATION, ALLOW THE ICC COMPLETE REGULATION, OR DEREGULATE THE INDUSTRY.

SUMMARY OF
REGULATION OF UTILITIES

Statutory Base Needs Revising and Updating (p. 86)

South Carolina statutes governing the Public Service Commission need revising and updating. PSC statutes, the only declaration of objectives, are unclear, outdated, and contain major inconsistencies with regard to regulatory purpose, jurisdiction, and procedures. Few policy statements have been made in either the statutes or regulations, making it difficult to interpret PSC's role in the regulatory process. Phrases such as "in the public interest" and "just and reasonable" are used to describe the Commission's regulatory responsibilities, rather than definitive statements outlining goals, objectives and specific desired results. This situation makes it difficult for the General Assembly to measure PSC's effectiveness in accomplishing goals. Also, inconsistent and unclear directives can lead to increased litigation between the utilities and the State, and to perceived inequities in the system. Costs for both parties in litigation are ultimately paid by the consumer through utility rates and taxes.

Utility Ratemaking (p. 89)

Since 1975, PSC has heard requests for utility rate increases of over \$822.63 million, affecting 2.2 million customers, without written guidelines, policy or a decision precedent manual. PSC does not have a written statement of which components may be included in calculating a utility's total revenue requirement. Directives issued in 1974 for electric, gas and telephone utilities' rate bases lack detail and specificity and are, therefore, not as useful as they should be. There is no written statement of which operating expenses are borne by the customer. The result is that the Commission has been inconsistent on the inclusion or exclusion of the following costs: lobbying; advertising; and charitable contributions. Increased litigation and cost to the taxpayer have resulted from questions regarding PSC policy. The absence of formal guidelines makes it more difficult to ensure that rulings are being applied reasonably and consistently.

Rates Under Bond (p. 94)

The Audit Council studied PSC's procedures in handling rates under bond and found several problems.

(1) Regulatory Lag in Issuing Orders

The Public Service Commission has consistently waited until the statutory deadline to issue orders. During the last five years, PSC waited until the statutory time limit of one year before issuing a decision on all cases in which major electric utilities placed rates under bond. South Carolina is the only southeastern state with a 12-month suspension of proposed rates pending a final decision by

a regulatory body. Shortening the bonded period would reduce the impact on the customer of placing proposed increases into effect under bond.

(2) Inadequate Monitoring of Refunds

PSC has not exercised their apparent authority concerning time limitations on refunds for overcollections by electric utilities. Electric utilities' customer refunds made during the last five years were completed from two to three months after the Commission's order, not within 30 days as intended by law. Further, the electric utilities took up to eight months to certify to the Commission that the refunds were made as directed in PSC's final order.

PSC procedures for verifying refunds need to be improved, as PSC accountants who monitor refunds had no checklist or standard procedures to follow. PSC's inadequate monitoring has resulted in excessive time elapsing between a Commission order and refund completion. This allows utilities to continue to "borrow" funds from customers at a 12% interest rate. In addition, this could increase the incidence of unclaimed utility refunds. Utilities are required to hold unclaimed refunds for seven years before reverting the monies to the State Treasury.

(3) Lack of Policy for Refund of Interest Earned on Sales Tax

The Public Service Commission has established no policy regarding interest that should be paid to customers by utilities when refunding sales tax collected while rates were bonded. Although utilities receive 6% annual interest on sales tax funds which are held by the Tax Commission pending the decision on the rate increase, only one utility in the seven cases reviewed by the

Council paid customers 6% interest on the sales tax refunded. By not addressing the issue of interest on sales tax, the Public Service Commission allows customers and companies to be treated inequitably.

Fuel Adjustment Clauses Need Study and Improvement (p. 107)

Criteria to be used in judging the need for routine fuel adjustment have not been established. Also, fuel adjustment clauses for electric utilities contain elements which should be more appropriately considered in general rate hearings. Nonvolatile cost items such as transportation, nuclear waste disposal and amortized losses, should be addressed in general rate hearings. Utilities may be less inclined to follow the most efficient management practices when expenses can be easily recouped in the fuel adjustment process. Utilities in South Carolina receive a significant amount of increased annual revenue from fuel adjustments. From February 1979 to September 1981, three major investor-owned electric utilities obtained about \$61.3 million, or 40% of their increased revenue from fuel adjustments.

Construction Work in Progress (p. 113)

The Audit Council reviewed PSC's procedures concerning utility construction work in progress and found that problems exist.

(1) Lack of Evaluation of Construction Needs

Since 1975, over \$783 million of utility construction has not been properly verified for need and cost by the Commission. PSC depends on company data in determining whether to grant certificates for major utility construction. Without adequate oversight the opportunity exists for utilities to engage in construction that may

be excessive and unnecessary. Ratepayers bear the burden of inefficient planning and management of construction projects through increases in their rates.

(2) Inadequate Monitoring of Construction Projects

PSC does not monitor projects in progress for cost overruns, adequacy of design and materials or quality of construction. According to records, no on-site visits were made in the past five years to major electric facilities under construction. Telephone construction has been reviewed on-site since 1981, for major rate cases only. Construction of gas and water/wastewater utilities has not been monitored by PSC although the gas department does check some safety standards. No systematic review has been done of cost information submitted on nuclear plant construction.

Adequate monitoring could contribute to decreased costs to consumers. One nuclear plant under construction has already cost \$531.8 million and construction has been delayed indefinitely.

Another nuclear plant has cost overruns of more than \$950 million.

(3) Compensation for Construction Costs is Greater than Necessary

PSC's policy allowing utilities to recover financing costs on funds used for construction projects results in greater than necessary costs to the consumer. The rate base is unduly inflated by allowing financing costs to be compounded over the entire construction period and be paid when the project is finished and providing services. This is true especially in cases where construction is delayed or extended. The overall effect of this practice is that customers pay more than they would if utilities were allowed to recover these costs as they are accrued.

Oversight of Utilities (p. 122)

PSC does not adequately monitor utilities to assure compliance with the law. An Audit Council review of PSC's monitoring process revealed that there have been no management audits of utilities, insufficient review of operations, and that the Commission has used inadequate procedures for the reviews it has performed. Poor oversight in monitoring utilities could result in inequities in service and billing.

(1) No Management Audits of Utilities

PSC has never ordered a utility in the State to undergo an objective management review of its operating performance, structure, objectives or efficiency. Because there is no requirement for utilities to undergo management audits, companies may have less incentive to apply and enforce efficient management practices. This is particularly true in cost-plus ratemaking where the size of the rate base determines revenue granted through the return on the rate base. Since PSC has not made efficiency audits a priority item, costs incurred through less than economical management practices must be passed on to the customer. Utilities, and ultimately the ratepayer, would benefit from cost reduction and efficiency improvements that could be revealed through management audits. Further, new insights gained by the Commission would expand its capability to analyze financial requirements of a company in order to determine the need and size of rate increases.

(2) Insufficient Review of Operations

PSC has not conducted sufficient reviews, which include audits and inspections, in order to ensure compliance with the law. Only 46% of the regulated utility facilities were inspected for

compliance from 1976 to 1981. Without compliance reviews, PSC is not able to anticipate and avoid future problems. Information on compliance is not available for ratemaking. PSC has not fully carried out its supervisory role and assured the public of adequate and efficient service.

(3) Lack of Standard Procedures for Inspections

PSC has not adopted adequate procedures for the inspections it conducts, resulting in insufficient information reviewed and inadequate documentation of findings. Without standard uniform inspections, PSC cannot evaluate the industry as objectively and uniformly as necessary. Utilities may not be treated consistently. Proper rates and quality of service cannot be ensured.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER
DIRECTING THE SOUTH CAROLINA REORGANI-
ZATION COMMISSION TO CONDUCT A STUDY TO
RECODIFY AND SIMPLIFY THE PSC STATUTES
AND RULES AND REGULATIONS.

THE STATUTES AND RULES AND REGULATIONS
SHOULD BE AMENDED TO CLEARLY DEFINE PSC
RATEMAKING POLICY AND OBJECTIVES.

SOUTH CAROLINA SHOULD ADOPT UNIFORM STA-
TUTES FOR ALL UTILITIES REGARDING SUSPENSION
OF RATES AND TEMPORARY RATES UNDER BOND.

IN ORDER TO ENSURE CUSTOMERS A FAIR RETURN,
THE INTEREST RATE UTILITIES PAY ON REFUNDS
SHOULD BE REVIEWED BY THE COMMISSION PERIODI-
CALLY AND ADJUSTMENTS MADE IF NECESSARY
TO REFLECT CHANGES IN THE MARKET CONDITIONS.

SOUTH CAROLINA SHOULD ADOPT A UNIFORM
STATUTE REGARDING REFUNDS. ALL UTILITIES
SHOULD BE ALLOWED 60 DAYS TO COMPLETE
REFUNDS ORDERED BY THE PUBLIC SERVICE
COMMISSION.

PSC RULES AND REGULATIONS FOR UTILITIES
SHOULD BE AMENDED TO CLEARLY DEFINE THE
COMMISSION'S REFUND POLICY, SPECIFICALLY
STATING WHAT COMPONENTS ARE INCLUDED IN
EACH REFUND.

PSC SHOULD STUDY THE NEED FOR ELECTRIC
AND OTHER FUEL ADJUSTMENT CLAUSES. SPECIFIC
CRITERIA SHOULD BE ESTABLISHED TO MEASURE
THE APPROPRIATENESS OF USING FUEL ADJUSTMENT
CLAUSES. FOR CASES WHEN PSC SHOULD DECIDE
TO USE FUEL ADJUSTMENT, OBJECTIVES AND
POLICY CONCERNING CLAUSE DESIGN SHOULD BE
INCLUDED IN THE STATUTES.

THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING CHAPTER 33, TITLE 58 OF THE SOUTH CAROLINA CODE OF LAWS TO REQUIRE THAT ALL MAJOR UTILITY CONSTRUCTION FOR EACH TYPE OF UTILITY BE REVIEWED AND APPROVED BY PSC.

PSC SHOULD ESTABLISH PROCEDURES TO ENSURE THAT MONITORING IS CARRIED OUT FOR MAJOR UTILITY CONSTRUCTION, ESPECIALLY NUCLEAR PLANTS.

THE STATUTES SHOULD BE UPDATED TO INCLUDE STATEMENTS OF OBJECTIVES AND RATE POLICY CONCERNING CONSTRUCTION WORK IN PROGRESS. PSC SHOULD ELIMINATE THE ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION FROM ALL UTILITIES' INCOME.

SECTION 58-27-160 OF THE SOUTH CAROLINA CODE SHOULD BE AMENDED TO AUTHORIZE THE COMMISSION TO INITIATE A FULL AND COMPLETE MANAGEMENT AUDIT OF ALL PUBLIC UTILITY COMPANIES ONCE EVERY FIVE YEARS, BY A COMPETENT, QUALIFIED AND INDEPENDENT FIRM SELECTED BY THE UTILITY COMPANY AND APPROVED BY THE COMMISSION.

THE UTILITIES DIVISION SHOULD DEVELOP SYSTEMATIC PROCEDURES FOR CONDUCTING COMPLIANCE REVIEWS OF PUBLIC UTILITIES.

SUMMARY OF
ADMINISTRATION OF THE PUBLIC SERVICE COMMISSION

Utility Assessments (p. 134)

All expenses and charges for the operation of the Public Service Commission are paid by the companies it regulates. Two problems resulting from the current method of assessing utilities are discussed below.

(1) Interest Lost on Industry Assessments

Public Service Commission industry assessments have not been paid to the State Comptroller General in a timely manner. Although counties collected 95% of the 1979 and 1980 industry assessments by January, the State did not receive the funds from the counties until as late as August. The State lost over \$217,000 in two years as a result of not earning interest on funds that should have been received from the counties as collected.

(2) Overassessment of Utilities

Motor carriers have not been charged for the expenses of PSC's Administration Division, resulting in an overassessment of regulated utility companies. Utilities are bearing 100% of the costs of the general administration of the agency. For FY 81-82, regulated utilities were assessed the entire \$1,108,753 for the expenses of the Administration Division, which provides support services for

both the Utilities and Transportation Divisions. The Council estimates that the motor carriers should have been charged from approximately \$634,000 to \$665,000 towards support of the Administration Division. Overassessments are ultimately passed on to the utilities' customers in the form of higher rates.

Management of Resources and Information (p. 140)

There are problems in PSC's management procedures and practices which have hampered oversight and the public's review.

(1) Lack of Written Administrative Procedures

PSC has not developed written agency procedures concerning the administration of bookkeeping, travel and property management and other agency functions. Although the Audit Council recommended in 1977 that PSC develop and use a manual of administrative procedures, PSC has not formulated an operations manual. The State Auditor, as well, has noted deficiencies in procedures. Without formal, established and written procedures, accountability for the efficient and economical utilization of resources is reduced. The lack of written policies and procedures hampers management efficiency and effectiveness because it is difficult to hold employees accountable for verbal or nonexistent guidelines.

(2) Record Keeping and Information Systems Need Improvement

Access to pertinent information on utility and motor carrier regulation is limited for both the PSC staff and the public. PSC does not retain files for an adequate period of time and has not established a central location or systematic plan for organizing information. Neither has PSC developed a decision precedent

manual, as recommended in earlier studies by the Audit Council and Cresap, McCormick, and Pagett Consultants. The Commission has allowed the purging of files that should have been retained, and information which could have been useful to the Commission has been destroyed.

(3) Complaints Handling Needs Improvement

The Council found a lack of coordination and oversight in the Public Service Commission's handling of complaints. Complaints received by the Transportation Division are not adequately documented and resolved, and complaint files and statistics are not maintained uniformly. The Commission performs no analysis of complaints to identify problem areas and inadequately monitors the complaints handling of its regulated companies. Under the present system, industry compliance with PSC Rules and Regulations is not ensured. PSC's lack of complaints analysis can lead to inadequate service and can result in decisions concerning rates, tariffs and other matters based on incomplete information. Without a consistent, effective complaints handling process for all Divisions, the public can lose confidence in the Commission as a protector of the public interest.

Allocation of Funds (p. 157)

There has been a lack of economy in decisions concerning allocation of funds in PSC operations. Cost savings of more than \$38,000 could have been realized in the following three areas.

(1) Subsistence Payments to Enforcement/Safety Officers

The Public Service Commission has not adopted procedures for the efficient use of subsistence funds. PSC Law Enforcement and Safety Officers have claimed meal reimbursements in excess of \$26,000 while performing duties in their assigned areas. An earlier Audit Council study recommended elimination of this practice. Had PSC allowed officers to claim meals only when they were working outside their assigned district, expenditures would have amounted to approximately \$1,399.

(2) Unnecessary Purchase of Photography Equipment

Due to poor planning and uneconomical allocation of funds, the Public Service Commission spent over \$4,100 on photography equipment for the Administration, Utilities and Transportation Divisions. Over \$2,300 of that amount was spent on equipment which was not needed. The Public Information Office unnecessarily expended \$1,192 for camera equipment when similar equipment was available in other Divisions of the agency. An additional \$1,184 was spent on darkroom equipment and supplies for in-house processing of photographs even though PSC sent film to commercial processors. The unnecessary purchase of photography equipment is an inefficient use of industry assessments, which costs are ultimately passed on to the consumer.

(3) In-House Printing Operation is Not Cost-Efficient

The Public Service Commission expends approximately \$20,000 annually for an in-house print shop, while the State Division of General Services could provide comparable printing services to PSC at an annual savings of \$7,000-9,000. General Services stated it

can provide the less costly printing services while meeting the Commission's time requirements.

Public Participation (p. 165)

PSC has restricted public participation by setting tariffs without a public hearing. When the Commission approves a tariff rate, it becomes a part of the regular rate base in future proceedings. Business meetings, during which tariffs are set, are not advertised. In FY 80-81, 145 tariff rate establishments for telecommunications utilities were held in Commission business meetings. Since regulation affects their vital interests, consumers have a right to share in the decision-making process. Overall, public confidence in the regulatory process could suffer without a proper public setting for rate matters.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER LEGISLATION TO AMEND SECTION 58-3-100 OF THE 1976 CODE OF LAWS TO PROVIDE FOR THE BILLING OF REGULATED COMPANIES BY THE COMPTROLLER GENERAL. THE COMPTROLLER GENERAL SHOULD, ON OR BEFORE THE FIRST OF OCTOBER EACH YEAR, ASSESS EACH COMPANY FOR ITS PROPORTIONATE SHARE OF THE PUBLIC SERVICE COMMISSION'S EXPENSES. ALL ASSESSMENTS SHOULD BE PAID TO THE COMPTROLLER GENERAL BY THE FIRST OF JANUARY OF EACH YEAR. REGULATED COMPANIES THAT HAVE NOT

PAID BY JANUARY 1 WILL BE CONSIDERED DELI-
QUENT AND THEIR NAMES SHOULD BE FORWARDED
TO THE PUBLIC SERVICE COMMISSION FOR APPRO-
PRIATE ACTION.

IF THE GENERAL ASSEMBLY DOES NOT CHOOSE
TO DEREGULATE MOTOR CARRIERS: THE PUBLIC
SERVICE COMMISSION SHOULD CHARGE THE
TRANSPORTATION DIVISION FOR ITS "FAIR SHARE"
OF THE EXPENSES OF THE ADMINISTRATION
DIVISION.

PSC SHOULD DEVELOP AND USE A MANUAL OF
ADMINISTRATIVE PROCEDURES. ALL PROCE-
DURES SHOULD INCORPORATE STATE REQUIRE-
MENTS AND GOOD MANAGEMENT PRACTICES TO
ENSURE THAT EFFICIENCY WILL BE ACHIEVED.

A STUDY SHOULD BE CONDUCTED BY THE GENERAL
SERVICES DIVISION OF PSC'S INFORMATION
NEEDS AND AN ADEQUATE SYSTEM IMPLEMENTED
TO ENSURE THAT PERTINENT INFORMATION IS
RETAINED AND ACCESSIBLE.

THE COMMISSION SHOULD ESTABLISH A DOCKET
ROOM AND LIBRARY TO MAINTAIN SYSTEMATIC
PRACTICES OF FILING AND PROVIDE EASY ACCESS

TO PUBLIC RECORDS AND RESOURCE INFORMATION.

THE PUBLIC SERVICE COMMISSION SHOULD CENTRALIZE THEIR HANDLING OF COMPLAINTS IN THE OFFICE OF PUBLIC INFORMATION IN CONJUNCTION WITH THE PUBLIC INFORMATION OFFICE'S RESPONSIBILITIES AS A LIAISON BETWEEN THE COMMISSION, THE NEWS MEDIA AND THE PUBLIC.

THE EXECUTIVE DIRECTOR OF THE PUBLIC SERVICE COMMISSION SHOULD BE RESPONSIBLE FOR COORDINATING AND OVERSEEING PSC'S MONITORING OF INDUSTRY COMPLIANCE WITH COMPLAINTS REGULATIONS.

PSC SHOULD ADOPT A POLICY ALLOWING PERSONNEL TO CLAIM SUBSISTENCE REIMBURSEMENT ONLY WHEN IN THE PERFORMANCE OF THEIR DUTIES THEY ARE DIRECTED OR ORDERED OUT OF THEIR RESPECTIVE DISTRICT.

THE PUBLIC SERVICE COMMISSION SHOULD DISPOSE OF ITS DARKROOM EQUIPMENT IN THE MOST COST-EFFICIENT MANNER.

THE PUBLIC SERVICE COMMISSION SHOULD CONTRACT FOR ITS PRINTING JOBS WITH GENERAL SERVICES OR ANOTHER OUTSIDE SOURCE, WHICH-
EVER IS LESS COSTLY AND CAN PROVIDE THE
REQUIRED SERVICE.

PSC SHOULD HOLD TARIFF RATE ESTABLISHMENT
HEARINGS IN A PUBLIC SETTING THAT IS DULY
ADVERTISED AND NOTICED AS OUTLINED IN THE
ADMINISTRATIVE PROCEDURES ACT.

APPENDIX



STATE OF SOUTH CAROLINA
THE PUBLIC SERVICE COMMISSION

P. O. DRAWER 11649
COLUMBIA, SOUTH CAROLINA 29211

COMMENTS OF THE SOUTH CAROLINA PUBLIC
SERVICE COMMISSION

I. Utilities Division

The Utilities Division of the South Carolina Public Service Commission (hereinafter "the Division") responding to certain matters contained in the Report (hereinafter "the Report") of the Legislative Audit Council (hereinafter "the Council"), as pertains to the Utilities Division, would comment as follows:

The Council makes many recommendations and judgements; indicates areas of improvement in the operations of the Staff, and as to the monitoring of construction by the Staff of the Division. The Staff would request that the reader refer to Graph 1 on page 80 of the Report.

This Graph shows that since the latter part of 1977 the retail electric rates in South Carolina have been, and presently are, below both the regional and national average. This Graph speaks for itself in showing that the Commission must be doing an excellent job in its regulation of the utilities. Also, the Council

APPENDIX A (CONTINUED)

chose to compare telephone rates of South Carolina to other States in only one particular group. Had the Council chosen to use an average rate, the Report would show that South Carolina's telephone rates are lower than most of the Southeastern States. Further, the Report failed to point out that South Carolina still maintains a 10¢ pay phone rate, which is substantially lower than North Carolina, with a 20¢ rate, and Georgia and Florida, with a 25¢ rate.

Council further omitted to state whether their recommendations as to on-site inspections could be done with the present personnel available or whether additional personnel would be required. The Council does state in the Report that in spite of the rate case load of the Commission having increased substantially during the last seven (7) fiscal years, the Utilities Division Staff has increased by only one (1) position during this seven (7) fiscal year period although additional personnel has been consistently requested. The Utilities Division has had to make rate case audits a first priority item due to the statutory deadlines of these matters. With the tremendous increase in rate cases, and the limited Staff personnel, the Utilities Division has had to devote less time to compliance and on-site construction inspections than it would have otherwise done.

However, the Commission would still refer the reader to Graph 1, page 80, which shows the South Carolina's electric rates below both regional and national average which must indicate that

APPENDIX A (CONTINUED)

the Commission is doing a reasonable and proper job in regulating and monitoring its utilities.

II. Transportation Division

The South Carolina Public Service Commission (hereinafter "the Commission") respectfully submits the following comments to the Transportation Division portion of the Report of the Legislative Audit Council (hereinafter "the Council"):

The Council has made broad statements and recommendations concerning economic deregulation of the intrastate South Carolina motor carrier industry. Every recommendation made has been based on either (1) the studies performed on an intrastate basis for states other than South Carolina; or, (2) the Council's own personal opinion about economic regulation. There is no factual data to support the Council's contention that economic regulation protects the motor carrier industry more than the public in South Carolina; nor is there evidence that economic deregulation would lower rates for all service.

The Council has taken studies relative to the motor carrier industry in other states, such as Florida, Maine, New Jersey, and Delaware, and inferred that South Carolina is no different from these states as to transportation needs and service availability. This is totally erroneous. How can South Carolina be compared to these states? None of these states has the blend of agricultural and textile industry nor the blend of urban and rural society such as South Carolina.

APPENDIX A (CONTINUED)

South Carolina has a good transportation industry which has developed for over fifty years under economic regulation. Why should a system which has created such an industry be destroyed on the recommendation of one employee of the Council?

From the first interview which the Council had with the Transportation Division Staff, it was evident to the Staff that the Council's Auditor had predetermined that economic deregulation would be his recommendation. If one Auditor, with little or no knowledge of the transportation industry in South Carolina can make such drastic recommendations to the Legislative Audit Council, with the Council in turn making such recommendations a part of its report, the Council should reexamine its own functions and goals to see if it is truly performing the duties and responsibilities for which the Council was created.

The recommendation that the truck safety function could be performed more efficiently by the Weight and Size Enforcement section of the Department of Highways and Public transportation is totally without merit. The Commission currently enforces the same safety standards as the U. S. Department of Transportation and there is, therefore, uniformity with Federal law which applies to motor carriers in South Carolina. There is currently a bill pending in the Legislature to give the Commission safety jurisdiction over all trucks in South Carolina. The Commission's safety inspection procedures encompass not only the thorough inspection of driver credentials, equipment, cargo, containers, placarding, and packaging, but also a procedure for assuring that violations discovered are corrected by the company to assure safe operations in the future. The Commission's inspectors also perform economic regulatory duties such as assuring that carriers are properly insured, charging approved rates, are properly licensed and authorized

by the Commission to perform such service. The duties of enforcing the statutes, rules, and regulations of the Commission can be more efficiently performed by Commission personnel. We fail to see the efficiency of one agency enforcing the statutes, rules, and regulations of another agency.

The following are comments addressing certain issues contained in the Report. As a result of the Council's express page limitation for agency response to the Council's voluminous Report, we are unable to address all issues.

1. "Restricted entry" into the trucking industry results primarily because of an Applicant's express desire to transport a specific commodity in a specific territory. It is further impacted by the laws of this State governing the proof required by an Applicant sufficient to justify approval of an Application for operating authority.

2. The basis for the Council's conclusion that the legal requirement for an Applicant to carry his burden of proof makes entry into the transportation industry difficult, is erroneous and improper. It is completely improper to attempt to determine the propriety of a decision of the Commission based upon an analysis of authority held, authority applied for and the number of protestants/intervenors in any particular case. Such an analysis, by its very nature, ignores the intricacies entailed in the Commission's performance of its legislative mandate and, further, disregards well-established judicial considerations. It is well-established that a reviewing court cannot substitute its judgement for that of the Commission upon a question as to which there may be a difference of intelligent opinion. Accordingly, it is definitely improper for the council to attempt to do so.

APPENDIX A (CONTINUED)

3. Self-imposed restrictions on carriers are not a direct result of regulation; therefore, any inefficiencies and waste resulting therefrom are not a consequence of regulatory considerations. Applicants for operating authority seek only the commodities and territory for which they have the knowledge, capability, and resources to serve.

4. There has never been an instance where an Applicant for operating authority has been denied a Certificate and, subsequently, obtained the same authority by way of the purchase or other transfer of a Certificate.

5. The sale, lease or other transfer of a Certificate is governed by the laws of this State.

6. The Council's report fails to recognize that it is extremely difficult for a certificated carrier to establish, through opposition to an Application, that a grant of the proposed authority will impair his business concerns to the detriment of the public.

7. The laws governing collective ratemaking were promulgated by the General Assembly, not the Commission. (S. C. Code Ann., § 58-23-100, 1976).

8. All regulated carriers are not participants to MTRB tariffs. There is no comparison in the Report of the respective tariffs and rates of the MTRB participants and tariffs and rates of carriers who do not participate in the MTRB. Further, there is no analysis or consideration of the ability of MTRB participants to choose not to ascribe to certain tariffs and rates established through the MTRB. Individual MTRB member carriers may flag out of proposed rate increases or make independent announcements of rates lower than the published MTRB tariff rate, which is done on a regular basis, subject to approval by the Commission.

APPENDIX A (CONTINUED)

9. The Commission does establish rates according to individual carriers financial considerations.

10. The Report erroneously states that by allowing "price fixing" the Commission may be unlawfully hindering the full and free competition of motor carriers. Obviously, the Commission is obligated to uphold the laws of this State and carries forth its duties, pursuant to § 58-23-1010, in the manner prescribed by statute. It is completely improper for the Council to assert that by acting pursuant to the laws of this State the Commission is acting unlawfully.

11. Although the Transportation Division has no written guidelines stating which expenses should be included or excluded for ratemaking purposes, the Commission adheres to well established ratemaking precepts which incorporate specific considerations of the propriety of the inclusion/exclusion of specific expenses for ratemaking purposes. It is incorrect to assert that since the Transportation Division has no specific written guidelines, that a carrier's approved rates are based upon the inclusion of clearly disallowable expenses. It is incorrect to assert that the Commission has not fulfilled its regulatory responsibilities because of the nature of the audit procedures of the Staff.

12. The conclusion of the Council that certificated carriers are not serving their authorized areas and that the Commission does not revoke "dormant" certificates, and, consequently, that regulation has not guaranteed adequate service to the public, is patently without foundation. The Council's conclusion is based upon a survey of the annual reports submitted by certificated carriers which reflect "no activity" in certain areas. The Council fails to consider:

APPENDIX A (CONTINUED)

(A) Whether a carrier is holding himself out to provide the service which it is obligated to provide;

(B) Seasonal factors affecting the provision of service;

(C) Orders of the Commission, issued subsequent to public hearings, either requiring a certificated carrier to continue serving an area which it seeks to stop serving, or approving the revocation of authority to serve an area where the need for service is no longer apparent;

(D) The Commission Staff on a regularly scheduled basis, by way of inspection of the Commission's files and records, petitions the Commission for the issuance of a Rule to Show Cause against motor carriers who fail to comply with the Motor Vehicle Carrier Laws of South Carolina, and the Rules and Regulations issued thereunder, and who are, therefore, not holding themselves out to the public to provide the service for which authority is held.

(E) As long as a carrier is holding itself out to provide service, and does provide such service upon request, a lag in "activity" cannot be perceived as a failure to provide service to the public. Further, "dormant" authority can never be used to preclude a grant of authority to an Applicant, since the holder of authority who intervenes in a proceeding must prove, among other things, that he is actively providing the service which he is attempting to keep another from receiving authority to provide. Therefore, the Council erroneously concludes that:

(a) That the Commission allows carriers to hold dormant authority.

(b) That holders of dormant authority prohibit entry of new carriers into market areas which they are not serving.

(c) That the public is not being served in areas where the alleged dormant authority is held.

APPENDIX A (CONTINUED)

13. The Council's contention that the truck safety function could be performed more efficiently under the Weight and Size Enforcement section of the Highway Department is erroneous. Safety inspections are performed by a highly trained technical staff. Full time safety inspectors have been trained by Federal Highway Administration, Department of Transportation, and Bureau of Motor Carrier Safety Agents to perform inspections of equipment, drivers, and cargo. Such inspections include log books and medical certification of drivers to assure that drivers are trained, capable, and alert to handle the vehicle driven and cargo transported. The vehicles are scrutinized to determine proper mechanical operating condition as well as proper placarding of the vehicle. Various commodities require different placarding. If vehicles are not properly placarded and an accident does occur, the resulting improper action by firemen and other emergency personnel could be disastrous. The policing of proper packaging, labeling, and loading of cargo is also a duty of the safety inspector. If certain hazardous or radioactive materials were transported with other commodities, contamination can occur. The performance of the above duties of the safety inspectors requires more time and is totally different from those of the Highway Department.

14. The recommendation by the Council that inspectors should not receive a meal allowance when working their own territory is totally contrary to Budget and Control Board guidelines for reimbursement of State employees, such guidelines of which the Council is aware. Inspectors of the Commission are State employees and should not be subjected to different standards than any other State employee. The Council's report states that the official headquarters of an inspector is his home territory. However, the Comptroller General has determined that the official headquarters of an inspector is his residence.

APPENDIX A (CONTINUED)

15. The Council contends that "because capital costs in the trucking industry are relatively low, it would be relatively easy for an individual to purchase trucking equipment and compete with a trucking firm trying to monopolize the industry." This is definitely false. The purchase price of one tractor-trailer unit alone is approximately \$70,000 - \$100,000. Although this may be low in comparison to the capital intensive utility industry, it is certainly not a "relatively easy" purchase which can be made by an individual, particularly in light of current economic conditions.

16. The conclusion of the Council that one agency could administer the safety of all vehicles more efficiently is erroneous. The Department of Highways and Public Transportation, according to the Council's report, has jurisdiction over all vehicles. However, the broad jurisdiction of the Highway Department is not currently being exercised, whereas the limited jurisdiction of the Public Service Commission is being fully exercised. The Council further concludes that the application of safety regulations would be more uniform, which is also erroneous. The Commission adopted the U. S. Department of Transportation Safety Rules and Regulations for Motor Carriers so that the Commission's safety regulations for vehicles would be uniform with the U. S. Department of Transportation, which also polices truck traffic in South Carolina, and for uniformity with other states enforcing safety regulations on interstate motor carriers. The Council in its report failed to state that the Commission's Transportation Inspectors work simultaneous check points with the Interstate Commerce Commission's agent for South Carolina and the U. S. Department of Transportation Safety Inspectors for this State.

APPENDIX A (CONTINUED)

17. The Council completely disregards regulated passenger transportation issues in its determinations pertaining to economic deregulation. Until such time that there is substantive evidence compiled, based upon specific studies of the South Carolina transportation industry, any move towards deregulation would be premature. Studies which analyze and identify, with particularity, the problems existing in this State with regulation, and the effects which deregulation will have upon the economy and the people of this State, are fundamental to an informed decision relative to this matter. A hasty decision to deregulate the regulated transportation industry in South Carolina, based upon conditions existing in other States, would be totally improper. None of the studies relied upon by the Council in support of its position were conducted for the purpose of analyzing the nature of the transportation industry in this State or the effects which deregulation will have upon the people and the economy of this State.

APPENDIX A (CONTINUED)

III. ADMINISTRATION

The statements in the report on pages 135-137 with respect to the State Comptroller General and the counties reporting assessments are matters not within the responsibilities or duties of the Commission.

The statements in the report on pages 137-139 with respect to the alleged overassessment of utilities for the administration of the Public Service Commission is a matter which is not within the responsibility or duty of the Commission.

Throughout its report, the Audit Council is severely critical of the Commission using its maximum legal time limits in conducting its functions and additionally recommends the Commission abolishing its in-house printing operations. It is ironic that during the exit conference with the Audit Council Staff, the Commission was informed that the Council's report would be released on June 30 or July 1, 1982, according to whether or not the report could be printed on time. It should be noted that the maximum statutory deadline for release of this report is June 30, 1982. We take note that this Commission has never failed to meet a statutory deadline due to printing and that the Council itself is having a problem meeting its statutory deadline.

IV. EXECUTIVE DIRECTOR

The Executive Director of the Commission is offended by and takes strong exception to the statements of the Audit Council that "the Executive Director has not fulfilled his supervisory responsibilities..." With respect to the Audit Council's comments on page 141 of the report, the Executive Director affirmatively states that his responsibilities and duties have been carried out in an effective, efficient and responsible manner. The Executive Director has performed his functions in compliance with the rules and regulations of the Budget and Control Board and all state agencies. The need for any further written administrative policies and procedures is not warranted and, as admitted in the report on page 141, is not required by the State. Direct day-to-day supervision by the Executive Director is far more effective than any written administrative manual. Recommendations such as establishing a work paper flow chart are ludicrous and a waste of taxpayers money. There are no verbal guidelines administered by the Executive Director. The Executive Director takes exception to statements on page 141 that "lack of written procedures impeded normal operations of the Commission" when the Executive Director retired for six weeks. The Executive Director denies that this is true. Written procedures cannot be a substitute for experience and ability. The Executive Director

takes exception to the comments appearing in the report on page 144, and states affirmatively that the Commission's records have always been safeguarded during his administration. The Executive Director notes no difficulties in the Commission Staff's handling of complaints and specifically notes that complainants are satisfied with the actions taken by the Commission Staff. The Audit Council's report does not dispute this fact. The Executive Director has the overall responsibility for complaints filed with the Commission and ensures that these complaints are properly handled and specifically disputes the findings in the comments on page 156 of the report. Commission Staff personnel follow the rules and regulations of the Budget and Control Board in regard to travel allowance. All expense vouchers regarding safety and transportation inspectors' allowance for meals are accompanied by statements attached to the vouchers stating that they have complied with the regulations of the Budget and Control Board (being more than 10 miles from their residence) and the employees are therefore entitled to this subsistence. This is not a matter of discretion with the Executive Director. The Executive Director denies that there has been any unnecessary purchasing of photographic equipment, as commented on page 159 of the report. The gas safety inspectors and the rail safety inspectors work out of the Commission's offices 90% of their working time, with their own photographic equipment in hand. This, of course, would make it impossible for the Public Information

APPENDIX A (CONTINUED)

Director to make use of their equipment. The Executive Director denies that the in-house printing operation of the Commission is not cost effective, as stated on page 162 of the report. In fact, the in-house printing operation is cost effective, resulting in monetary savings. The in-house printing operation is absolutely necessary for meeting the Commission's statutory deadlines involving the printing of voluminous materials. Is an out-house printing operation available at midnight and on weekends as the Commission's must be? Much of the printing, i.e., Commission rate Orders and legal documents must remain confidential until such materials are required to be made public. This can only be accomplished with an in-house printing operation.

In summary, the Executive Director believes he has been treated unfairly, unreasonably, and unprofessionally in this report. Specifically, the Executive Director is a career state employee with over 33 years experience in all phases of Public Service Commission activity. The records will reflect that his management of budget matters has resulted in a savings to the State and hundreds of thousands of dollars returned to the General Fund. The Executive Director was not interviewed, nor did he come in contact with anyone on the Audit Council Staff with qualifications approaching his qualifications or experience. The Executive Director feels very strongly that the full report made by the Audit

APPENDIX A (CONTINUED)

Council should be valued after a close look is taken at the experience and qualifications of its staff. In conclusion, the Executive Director would like for these printed comments to reflect that he is proud of all his Staff and the job they have done in serving the public of South Carolina. As the Council's report shows, electric rates in South Carolina have been, and presently are, below both the regional and national average; therefore, it must be concluded that the Commission is doing a good job.